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12-16-69
CHINA

~~SECRET/SENSITIVE~~

December 16, 1969

MEMORANDUM FOR

THE UNDER SECRETARY OF STATE

SUBJECT: Next Move in China Policy

The President has approved the "recommendations for immediate implementation" contained on page 3 of the Secretary of State's memorandum of December 2, 1969, subject: Next Moves in Our China Policy. Implementation of the three specific steps should be initiated in a low-key manner so as to minimize public speculation on the implications of these moves.

It is anticipated that the reporting of the action in the Federal Register will constitute adequate exposure of the fact that it has been taken.

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Henry A. Kissinger

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DOS, NSS, review completed

HAK:AMH:mih:12-16-69

THE WHITE HOUSE

WASHINGTON

ACTION

December 11, 1969

SECRET/SENSITIVE

MEMORANDUM FOR THE PRESIDENT

FROM: Henry A. Kissinger *HK*
SUBJECT: Proposal on China Policy

I have worked out with Elliot Richardson the next steps you might take to further relax economic controls against Communist China. Secretary Rogers has sent over a memorandum outlining these proposals (Tab A) which are in line with NSDM 17 (Tab B).

The proposals are:

1. Remove Foreign Asset Control (FAC) restraints on foreign subsidiaries of United States firms on transactions with China regarded as non-strategic by COCOM (approved by you in principle in NSDM 17, June 26, 1969).
2. Eliminate the present restrictions on U.S. business participation in third-country trade in presumptive Chinese goods. (This move is intended to enable American businessmen to deal in goods which, though not of Chinese origin, are on the Chinese "presumptive" list -- such as certain Hong Kong-made products.)
3. Modify slightly your approval in June allowing the non-commercial purchase of Chinese Communist goods by Americans travelling or resident abroad by removing the \$100 ceiling and the requirement that non-commercial imports from China enter the United States as accompanied baggage.

These measures would not make commodities available to the Communists which they cannot already purchase. The actions might lead to objections from the Republic of China, but they are clearly within our China policy as we have described it to GRC leaders, and they would not affect Taiwan's vital security interests.

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Treasury concurs and believes that the actions can be taken by executive action.

In view of the present situation and the recent moves made by Communist China, I believe this is a good step to take at this time in response to tomorrow's meeting in Warsaw. The impediment which has led you to defer execution of NSDM 17 was the problem of getting the East-West Trade Act through Congress. The bill is expected to come up next week, and will probably be passed. The actual promulgation of the new rules on China should not be made until that bill is disposed of, one way or another.

RECOMMENDATION:

That you approve the recommendations for the relaxation of certain economic controls toward Communist China, as explained above. That the actual promulgation of these changes be deferred until Congress has acted on the East-West Trade Act.

Approve _____

Disapprove _____

Attachments

*Depends on Warsaw meeting
analysis - 12-15-69*

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DEPARTMENT OF STATE
WASHINGTON

18658

December 2, 1969

SECRET/SENSITIVE

MEMORANDUM FOR THE PRESIDENT

Subject: Next Moves in China Policy

I believe the time has come to proceed with the remaining measures relaxing economic controls against Communist China, which you approved in principle in June (NSDM-17), as well as to consider other steps we might take toward China.

-- Talks between the Soviet Union and Communist China began in Peking on October 20. We do not believe that these will result in a fundamental change in the Sino-Soviet relationship. The roots of the ideological dispute will remain, together with a certain level of tension. Although the Sino-Soviet discussions have apparently not gone well thus far, we cannot exclude the possibility of at least a partial rapprochement between the Soviets and the Chinese, which might take the form of some restoration of normalcy in state-to-state relations.

-- Our moves may introduce an additional complicating factor into the Soviet leadership's assessment of our intentions towards China--and towards the USSR, as well. Such an effect would also serve our long-term interest of forestalling an eventual more fundamental rapprochement between the USSR and China.

-- At the same time, this conjunction of Soviet agreement to negotiations both with China and with us, on SALT, enables us to maintain our posture of non-involvement in the Sino-Soviet dispute. Moves by us at

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this time in the direction of opening the door towards China a little more can hardly be the object of plausible objections by the Soviet Government when it itself is talking with the Chinese.

-- Notwithstanding the ups and downs in Chinese propaganda stridency in recent months, there have been signs of moderation in Peking's foreign policy stance including--in private encounters--toward the U.S. We cannot predict that such steps as I propose would evoke a favorable response from Peking, but the chance that they might now appears to be greater than it has been for some time. Additionally, when the Chinese leadership appears to be in some disarray, we may contribute to a strengthening of those who advocate moderation and thereby continue to move towards a position where we may be able eventually to exert some influence on the Chinese Government in a direction more favorable to our own interests.

-- Finally, the steps I propose would serve specific U.S. interests. They would also be useful preliminaries to an attempt by us in the near future to revive bilateral discussions with the Chinese and as further signals that we are interested in continuing to move towards more normal relations.

The Republic of China will object to such moves, but I do not believe this should deter us. These actions would not affect any vital security interest of Taiwan or diminish in any way our existing treaty commitments. They would be consistent with what I have told ROC leaders about our general approach towards Communist China.

If you agree that we should move forward, I would contemplate undertaking the requisite Congressional consultation, preparatory to announcement of changes in regulations.

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Treasury concurs that all the actions described below can be taken by executive action and approves of the recommendations.

Specific Recommendations

I have considered the whole range of measures we might take--economic, travel, raising the level of the Warsaw talks, etc.--but at this time recommend the following moves to be implemented in two stages.

a. For implementation immediately:

1. Remove Foreign Asset Control (FAC) restraints on foreign subsidiaries of United States firms on transactions with China regarded as non-strategic by COCOM (approved by you in principle in NSDM-17, June 26, 1969);

Approve_____

Disapprove_____

2. Eliminate the present restrictions on U.S. business participation in third-country trade in presumptive Chinese goods;

Approve_____

Disapprove_____

3. Modify slightly your approval in June allowing the noncommercial purchase of Chinese Communist goods by Americans travelling or resident abroad by removing the \$100 ceiling and the requirements that noncommercial imports from China enter the United States as accompanied baggage.

Approve_____

Disapprove_____

In addition to their political effects on the Chinese and Russians, implementation of these measures would:

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-- remove a substantial licensing burden on Foreign Assets Control and the general public;

-- relieve a number of difficult problems which our Allies have raised pertaining to United States extraterritorial controls on the activities of American subsidiaries abroad;

-- not make any commodities available which the Chinese cannot already purchase abroad;

-- contribute to the competitive strength of American business concerns overseas and respond to strong pressures from foreign branches of U.S. business concerns in several Asian countries to be allowed to compete for third-country business in goods administratively assumed to be of Chinese origin; and

-- satisfy the desire of tourists, collectors, museums, and universities to import Chinese products for their own account and rid us of administrative headaches.

b. For implementation following the resumption of our bilateral Ambassadorial talks with the Chinese:

1. Modify the Department of Commerce export control regulations through a general license for the export of food, agricultural equipment, fertilizers and pharmaceuticals (approved by you in principle in NSDM-17, June 26, 1969). This would

-- provide an initial opening in the area of non-strategic direct U.S. trade with Peking;

-- would not enable Peking to obtain commodities they are not already able to purchase elsewhere;

-- would represent only a modest extension beyond the offers to sell grain and pharmaceuticals on an ad hoc basis to the Chinese made during the Kennedy and Johnson administrations; and

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-- would open up a potential outlet for American farm products (for example, the Chinese Communists have recently expressed interest in purchasing U.S.-produced oilseeds from a large West Coast vegetable oil company through a Hong Kong intermediary).



William P. Rogers

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

June 26, 1969

SECRET/SENSITIVE

National Security Decision Memorandum 17

TO: The Secretary of State
 The Secretary of the Treasury
 The Secretary of Commerce

SUBJECT: Relaxation of Economic Controls Against China

The President has decided, on broad foreign policy grounds, to modify certain of our trade controls against China. He has decided, in principle, that we should:

- (1) Remove the restraints in the Foreign Assets Control regulations upon foreign subsidiaries of U.S. firms on transactions with China that are regarded as non-strategic by COCOM.
- (2) Modify the Foreign Assets Control regulations prohibiting purchase of Communist Chinese goods to permit Americans travelling or resident abroad to purchase Chinese goods in limited quantities for non-commercial import into the U.S.
- (3) Modify the administration of the Foreign Assets Control regulations and Export Controls to permit general licenses for exports of food, agricultural equipment, chemical fertilizer and pharmaceuticals.
- (4) Follow these steps, at the earliest appropriate time, by modifying import and export controls in non-strategic goods to permit a gradual development of balanced trade.

The President desires early implementation of these decisions. He has, therefore, directed that the Under Secretaries Committee supervise the preparation of the following documents, to be submitted to him by July 7, 1969.

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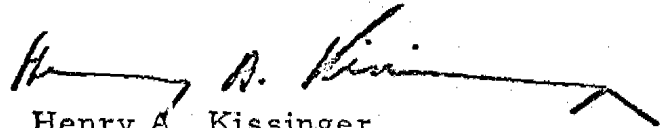
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(1) Implementing regulations (to be developed by State, Commerce, and Treasury);

(2) A press and diplomatic scenario (to be developed by State);

(3) A scenario for Congressional consultation (to be developed by State and Treasury).

The President has directed that until he decides when and how this decision is to be made public, the SECRET/SENSITIVE classification of this project be strictly observed.


Henry A. Kissinger

cc: The Secretary of Defense
The Director of Central Intelligence
The Chairman, Joint Chiefs of Staff

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